MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis ("MD&A") of Rubellite Energy Inc.'s ("Rubellite", the "Company" or the "Corporation") operating and financial results for the three and nine months ended September 30, 2023, as well as information and estimates concerning the Corporation's future outlook based on currently available information. This discussion should be read in conjunction with the Corporation's unaudited condensed interim consolidated financial statements and accompanying notes as at September 30, 2023 and for the three and nine months ended September 30, 2023 and 2022 as well as the audited financial statements and accompanying notes for the years ended December 31, 2022 and 2021. Disclosure, which is unchanged from the December 31, 2022 MD&A has not been duplicated herein. The Corporation's financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") which require publicly accountable enterprises to prepare their financial statements using International Financial Reporting Standards ("IFRS"). The date of this MD&A is November 9, 2023.

This MD&A contains certain specified financial measures that are not recognized by GAAP and used by management to evaluate the performance of the Corporation and its business. Since certain specified financial measures may not have a standardized meaning, securities regulations require that specified financial measures are clearly defined, qualified and, where required, reconciled with their nearest GAAP measure. See "Non-GAAP and Other Financial Measures" for further information on the definition, calculation and reconciliation of these measures. This MD&A also contains forward-looking information. See "Forward-Looking Information". Readers are also referred to the other advisory sections at the end of this MD&A for additional information.

NATURE OF BUSINESS: Rubellite is a Canadian energy company headquartered in Calgary, Alberta and engaged in the exploration, development and production of conventional heavy crude oil from the Clearwater formation in Eastern Alberta, utilizing multi-lateral horizontal drilling technology. Rubellite has a pure play Clearwater asset base and is pursuing a robust growth plan focused on superior corporate returns and funds flow generation while maintaining a conservative capital structure and prioritizing environmental, social and governance ("ESG") excellence. Additional information on Rubellite can be accessed at www.sedarplus.ca and found at www.rubelliteenergy.com.

Rubellite's common shares trade on the Toronto Stock Exchange under the symbol "RBY".

SUBSEQUENT EVENT

Subsequent to the end of the quarter, on October 19, 2023, Rubellite entered into a definitive purchase and sale agreement to acquire additional Clearwater assets within the Figure Lake and Edwand areas as well as undeveloped land in the Nixon area of Northeast Alberta (the "Acquisition"). The Acquisition includes approximately 800 bbl/d of conventional heavy oil sales production, along with 215 net sections of land (95% undeveloped) on the Southern Clearwater play trend for a total purchase price of $34.0 million, subject to certain customary closing adjustments with an October 1, 2023 effective date. The Acquisition closed November 8, 2023 and was funded through an expanded borrowing limit to Rubellite's revolving bank debt, supported by strong reserve additions driven by Rubellite's drilling activities at Figure Lake and from the acquired assets.

Concurrent with the closing of the Acquisition, the borrowing limit on Rubellite's credit facility (the "Credit Facility") was increased to $60.0 million (December 31, 2022 - $40.0 million). The Credit Facility will reduce by $5.0 million at the end of each quarter during 2024, starting on March 31, 2024 to $40.0 million at December 31, 2024. The initial term will remain the same at May 31, 2024, which may be extended a further twelve months to May 31, 2025, subject to lender approval. The next semi-annual borrowing base redetermination is scheduled on, or before, May 31, 2024. Rubellite will be drawn approximately $40.0 million on its Credit Facility at the end of November after closing the Acquisition.

THIRD QUARTER 2023 OPERATIONAL AND FINANCIAL HIGHLIGHTS

- Third quarter conventional heavy oil sales production averaged 3,154 bbl/d, an increase of 11% from second quarter of 2023 (Q2 2023 – 2,844 bbl/d) as a result of the successful drilling of six (6.0 net) multi-lateral horizontal wells at Figure Lake, of which five (5.0 net) net wells progressively contributed to sales production during the third quarter. Sales production from the third quarter of 2023 was up 79% from the third quarter of 2022 (Q3 2022 - 1,760 bbl/d). As of September 30, 2023, Rubellite had 79 (71.3 net) wells contributing to sales production, as compared to 72 (66.3 net) wells on production at the end of the second quarter of 2023.

- Exploration and development capital expenditures(1), excluding land purchases, for the third quarter totaled $11.2 million. Development expenditures of $11.2 million related to the drilling of the six (6.0 net) multi-lateral horizontal wells at Figure Lake. One (1.0 net) additional multi-lateral horizontal well was spud on September 19, 2023 and rig released on October 2, 2023 with a majority of the capital spent during the third quarter of 2023.

- Land, acquisition and geological spending in the quarter were $0.1 million, bringing expenditures to $2.8 million for the first nine months of 2023, resulting in the addition of 24.0 net sections of land, which included 20.0 net sections under a Land Acquisition and Drilling Agreement with the Buffalo Lake Métis Settlement ("BLMS").

- Adjusted funds flow(1) in the third quarter was $15.6 million ($0.25 per share), a 30% increase from the second quarter of 2023 (Q2 2023 – $12.0 million; $0.19 per share), and up 141% year-over-year (Q3 2022 - $6.5 million; $0.12 per share), driven by higher sales production. The growth in revenue compared to the second quarter of 2023 was also attributable to an 18% increase in Western Canadian Select ("WCS") benchmark prices and was partially offset by higher royalties and transportation costs. Adjusted funds flow per boe was $53.61/boe, up 16% from $46.35/boe in the second quarter of 2023 (Q3 2022 - $39.89/boe)

- Operating netbacks(1) in the third quarter were $19.4 million, or $66.99/boe (Q2 2023 – $13.3 million or $51.38/boe), reflecting the increase in WCS benchmark prices, increased sales volumes and lower production and operating costs, partially offset by higher royalties. After the realized loss on risk management contracts of $1.9 million, or $6.70/boe (Q2 2023 – gain of $0.7 million or $2.77/boe), operating netbacks after risk management contracts were $17.5 million or $60.29/boe (Q2 2023 – $14.0 million or $54.15/boe). Third quarter operating netbacks after realized losses on risk management contracts were 33% higher on a per boe basis than the third quarter of 2022 (Q3 2022 – $7.4 million or $45.41/boe) despite lower benchmark pricing due to a lower heavy oil wellhead differential improving revenue on a per boe basis, a reduction in the realized losses on risk management contracts and lower royalties, partially offset by higher production and operating and transportation costs.

- Cash costs(1) were $5.9 million or $20.27/boe in the third quarter of 2023, in line with expectations (Q2 2023 – $5.9 million or $22.73/boe; Q3 2022 - $2.8 million or $17.30/boe). On a per boe basis, the reduction in costs were driven by efficiencies over a higher production base partially offset by the impact of cost inflation, incremental carbon tax obligations and higher interest costs.

- Net income for the third quarter of 2023 was $3.9 million, a 16% increase from $3.4 million from the second quarter of 2023.

- As at September 30, 2023, net debt(1) was $16.5 million, a decrease from $28.2 million as at December 31, 2022.

- Rubellite had available liquidity (see "Liquidity, Capitalization and Financial Resources - Capital Management") at September 30, 2023 of $30.6 million, comprised of the $40.0 million borrowing limit of Rubellite's first lien credit facility ("Credit Facility Borrowing Limit"), less current borrowings of $9.5 million.

(1) Non-GAAP financial measure, non-GAAP ratio or supplementary financial measure. See "Non-GAAP and Other Financial Measures".

OPERATIONS UPDATE

At Figure Lake, a total of six (6.0 net) multi-lateral horizontal wells were rig released during the third quarter and one (1.0 net) well was drilled over the end of the quarter and rig released in early October. The seven wells were located on a pad at 15-24-63-18W4 (the "15-24 Pad") with the final well on the eight-well 15-24 Pad rig released on October 15, 2023. All eight (8.0 net) wells have now been placed on production with strong results to date, recording an average IP30 of 232 bbl/d (6 wells), and IP60 of 226 bbl/d (4 wells), with all wells to date outperforming the Figure Lake type curve(1) IP30 of 116 bbl/d. Wells not included in the preceding figures are either still recovering their oil-based mud load fluid or have not been on production for sufficient days to be included. The recent drills in their IP30 periods are also exhibiting strong performance commensurate with other wells on the 15-24 Pad.

The drilling rig has now moved to a new pad located at 9-3-63-18W4 (the "9-3 Pad") to drill a total of six (6.0 net) development wells in the mapped sweet spot at Figure Lake, up to five of which are expected to be rig-released prior to year-end.

Rubellite has temporarily contracted a second rig for the balance of 2023 to accelerate evaluation of step out locations at the south end of Figure Lake and on the Buffalo Lake Metis Settlement ("BLMS") lands, while continuing the ongoing infill drilling program in the Figure Lake sweet spot with its primary rig. The second rig spud its first well October 14th on a pad located at 5-24-62-18W4 at the south end of the Company's Figure Lake acreage and offsetting prospective acreage included in the Acquisition. Rubellite plans to utilize this second rig to drill two additional wells on the BLMS on a new pad at 5-32-63-17W4 (the "BLMS 5-32 Pad") to fully satisfy its BLMS commitment, and is also acquiring surface access to drill a fourth step-out delineation well to manage an upcoming land expiry related to the Acquisition.

Running the two-rig program for the balance of 2023 as outlined, Rubellite expects to drill up to eleven (11.0 net) multi-lateral horizontal wells in the fourth quarter of 2023, for a full year 2023 total of twenty-seven (27.0 net) multi-lateral development infill and step-out wells all located in the greater Figure Lake area, as the Figure Lake property continues to be the primary focus of investment and development.

In its Northern Exploration area, the Company has made an election to drill a second earning well (0.5 net) at Dawson to earn an additional six (3.0 net) sections to follow up and delineate the Clearwater pool encountered by the 5-16-81-16W5 discovery well drilled in the first quarter of 2023 and had plans to drill up to three (2.0 net) additional wells in its Northern Exploration area. However, due to access constraints, this activity has been postponed to 2024. The Company intends to place the Dawson 5-16 well back on production in December and truck volumes along a temporary winter road until spring breakup in March 2024.

(1) Type curve assumptions are based on the Total Proved plus Probable Undeveloped reserves contained in the McDaniel Reserve Report as disclosed in the Company's Annual Information Form which is available under the Company's profile on SEDAR+ at www.sedarplus.ca. "McDaniel" means McDaniel & Associates Consultants Ltd. independent qualified reserves evaluators. "McDaniel Reserve Report" means the independent engineering evaluation of the crude oil, natural gas and NGL reserves, prepared by McDaniel with an effective date of December 31, 2022 and a preparation date of March 9, 2023.

OUTLOOK AND GUIDANCE

Rubellite expects to spend approximately $20 - $22 million in the fourth quarter of 2023 to drill, complete, equip and tie-in eleven (11.0 net) multi-lateral development infill and step-out wells at Figure Lake, unchanged from previous guidance. Additionally, the Company expects to spend approximately $2.0 million for the pre-purchase of tubulars and production equipment in support of the 2024 drilling program, pre-purchase of long-lead items and engineering costs for Rubellite's gas gathering infrastructure project at Figure Lake, and the decision to immediately go to a high-graded all weather road for the BLMS 5-32 pad based on the success of the offsetting 15-24 pad. This brings total expected exploration and development capital spending for 2023 to $64 - $66 million. Forecast drilling activities are expected to be funded from adjusted funds flow and the Credit Facility.

Current conventional heavy oil production, based on field estimates for the last two weeks of October is approximately 3,855 bbl/d, driven by continued strong early time performance from new development wells in the Figure Lake area. Factoring in above type curve results from the recently drilled wells, type curve performance from the remaining 2023 drilling program at Figure Lake and after giving effect to the Acquisition, production sales volumes are expected to average between 3,225 - 3,300 bbl/d for 2023 (Q4 2023 of 3,900 - 4,200 bbl/d), up from previous guidance announced October 19, 2023 incorporating the effect of the Acquisition of 3,100 - 3,200 bbl/d, and up from the 2,900 - 3,100 bbl/d production guidance provided with the Company's second quarter results on August 10, 2023.

Capital spending, drilling activity and operational guidance for 2023 is as outlined in the table below:

	Previous 2023 Guidance(1)	Revised 2023 Guidance
Sales Production (bbl/d)	3,100 - 3,200	3,225 - 3,300
Development spending ($ millions)(2)(3)	$55 - $57	$57 - $59
Multi-lateral development wells (net)(2)	27.0	27.0
Exploration spending ($ millions)(2)(3)	$7	$7
Exploration wells (net)	2.5	2.5
Heavy oil wellhead differential ($/bbl)(2)	$5.00 - $6.00	$5.00 - $6.00
Royalties (% of revenue)(2)	9.5% - 10.5%	9.5% - 10.5%
Production and operating costs ($/boe)(2)	$6.50 - $7.00	$6.50 - $7.00
Transportation costs ($/boe)(2)	$7.50 - $8.00	$7.50 - $8.00
General and administrative costs ($/boe)(2)	$5.50 - $6.00	$5.50 - $6.00

(1) Previous 2023 guidance dated October 19, 2023.
(2) Non-GAAP financial measure, non-GAAP ratio or supplementary financial measure. See "Non-GAAP and Other Financial Measures".
(3) Excludes land and acquisition spending.

THIRD QUARTER 2023 FINANCIAL AND OPERATING RESULTS

Cash Flow used in Investing Activities, Capital Expenditures, Acquisitions and Dispositions

Cash flow used in investing activities was $12.1 million and $55.5 million for the three and nine months ended September 30, 2023, respectively, as compared to $9.1 million and $55.0 million in the comparative periods of 2022. In addition to cash flow used in investing activities, Rubellite uses capital expenditures to measure its capital investments compared to the Company's annual budgeted expenditures related to both property, plant and equipment assets ("PP&E") and exploration and evaluation assets ("E&E") assets. The capital budget excludes acquisition and disposition activities. "Capital Expenditures" is not a standardized measure and, therefore, may not be comparable with the calculation of similar measures by other entities.

For a reconciliation of cash flow used in investing activities to capital expenditures, refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A.

The following tables summarize capital expenditures for both PP&E and E&E assets:

	Three Months Ended September 30,					
	2023			2022		
(*$ thousands*)	**E&E**	**PP&E**	**Total**	E&E	PP&E	Total
Drilling and completions	**(16)**	**8,986**	**8,970**	3,748	14,570	18,318
Facilities	**11**	**1,019**	**1,030**	—	1,960	1,960
Lease construction	**31**	**1,172**	**1,203**	310	1,333	1,643
Capital Expenditures(1)	**26**	**11,177**	**11,203**	4,058	17,863	21,921
Land and other	**127**	**—**	**127**	516	39	555
Capital expenditures(1), including land and other	**153**	**11,177**	**11,330**	4,574	17,902	22,476

(1) Non-GAAP measure. See "Non-GAAP and Other Financial Measures".

	Nine Months Ended September 30,					
	2023			2022		
(*$ thousands*)	**E&E**	**PP&E**	**Total**	E&E	PP&E	Total
Drilling and completions	**8,448**	**22,210**	**30,658**	4,723	38,797	43,520
Facilities	**3,338**	**4,717**	**8,055**	—	6,202	6,202
Lease construction	**169**	**3,502**	**3,671**	310	3,533	3,843
Capital Expenditures(1)	**11,955**	**30,429**	**42,384**	5,033	48,532	53,565
Land and other	**2,827**	**—**	**2,827**	17,471	(344)	17,127
Capital expenditures(1), including land and other	**14,782**	**30,429**	**45,211**	22,504	48,188	70,692

(1) Non-GAAP measure. See "Non-GAAP and Other Financial Measures".

Wells drilled by area

	Three months ended September 30,		Nine months ended September 30,	
(gross/net)	**2023**	2022	**2023**	2022
Development				
Ukalta	**- / -**	7 / 7.0	**-/-**	17 / 17.0
Figure Lake(1)	**6 / 6.0**	6 / 6.0	**14 / 14.0**	8 / 8.0
Marten Hills	**- / -**	1 / 0.3	**-/-**	6 / 2.6
Service Wells	**- / -**	1 / 1.0	**-/-**	2 / 2.0
Figure Lake Extension				
Figure Lake - Buffalo Lake area(2)	**- / -**	- / -	**2 / 2.0**	- / -
Northern Exploration				
Dawson(3)	**- / -**	- / -	**1 / 0.5**	- / -
Peavine(4)	**- / -**	- / -	**2 / 2.0**	- / -
Alpen(5)	**- / -**	1 / 1.0	**- / -**	1 / 1.0
Total	**6 / 6.0**	16 / 15.3	**19 / 18.5**	34 / 30.6

(1) One (1.0 net) well drilled at the 15-24 pad was spud on September 19, 2023 and rig released October 2, 2023 and not included in the Q3 2023 well count. The well was drilled on existing lands previously transferred to PP&E.
(2) The two (2.0 net) wells drilled during 2023 at the extension area of Figure Lake were transferred from E&E to PP&E during the second quarter of 2023.
(3) The one (0.5 net) well drilled during 2023 at the Dawson Northern Exploratory area was transferred from E&E to PP&E during the second quarter of 2023.
(4) The two wells at Peavine were drilled at 100% working interest cost to earn a 60% working interest and were transferred to E&E expense during the second quarter of 2023.
(5) The one (1.0 net) well drilled during 2022 at the Alpen Exploratory area was transferred from E&E to PP&E during the fourth quarter of 2023.

Additions to PP&E assets

Rubellite's additions to PP&E in the third quarter of 2023 were $11.2 million from drilling activity of six (6.0 net) wells at Figure Lake. Capital to drill a seventh well at Figure Lake, was largely spent during the third quarter and was rig released at the beginning of the fourth quarter.

Rubellite's additions to PP&E in the first nine months of 2023 were $30.4 million from drilling activity of fourteen (14.0 net) development wells at Figure Lake, the two (2.0 net) BLMS extension wells at Figure Lake and the one (0.5 net) Dawson Northern exploratory well.

Additions to E&E assets

Rubellite's additions to E&E in the third quarter of 2023 were $0.2 million, which included land spending of $0.1 million to acquire 1.0 net sections of land and $0.1 million related to pad survey and seismic expenditures related to the Company's undeveloped land.

Rubellite's additions to E&E in the first nine months of 2023 were $14.8 million, which included land spending of $2.8 million. Land spending and acquisitions resulted in the addition of 24.0 net sections of land, which included 20.0 net sections under a Land Acquisition and Drilling Agreement with the BLMS.

During 2023, Rubellite transferred $8.0 million of E&E to PP&E, related to one (0.5 net) well at Dawson and two (2.0 net) wells in Figure Lake. The Company also recognized an E&E expense of $6.8 million, which includes capital costs to drill two (2.0 net) wells at Peavine, one (1.0 net) vertical evaluation well at Utikuma, one (1.0 net) vertical evaluation well at Ukalta and a small amount of associated land.

Production

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	**2023**	2022
Production				
Average daily heavy crude oil (bbl/d) – production(1)	**3,176**	1,906	**3,025**	1,537
Average daily heavy crude oil (bbl/d) – sales(1)	**3,154**	1,760	**2,997**	1,498

(1) The Company's heavy oil sales volumes and production volumes differ due to changes in inventory.

Sales production for the three and nine months ended September 30, 2023 increased 1,394 bbl/d (79%) and 1,499 bbl/d (100%), respectively, from the comparative periods of 2022. Production and sales volumes have progressively ramped up as new wells were drilled, fully recovered load fluid and commenced delivery to sales terminals. At the end of the third quarter, an additional five (5.0 net) wells were contributing to sales production relative to June 30, 2023, after having fully recovered their oil-based mud load fluid.

As of September 30, 2023, there were 79 (71.3 net) wells contributing to sales production, as compared to 46 (41.6 net) wells contributing to sales production at the end of the third quarter of 2022.

Oil Revenue

	Three months ended September 30,		Nine months ended September 30,	
($ thousands, except as noted)	**2023**	2022	**2023**	2022
Oil revenue				
Oil revenue	**25,777**	13,654	**61,744**	40,162
Reference prices				
West Texas Intermediate ("WTI") (US$/bbl)	**82.18**	91.64	**77.37**	98.14
Foreign Exchange rate (CAD$/US$)	**1.34**	1.31	**1.35**	1.28
West Texas Intermediate ("WTI") (CAD$/bbl)	**110.12**	119.53	**104.45**	125.90
Western Canadian Select ("WCS") differential (US$/bbl)	**(12.88)**	(19.87)	**(17.59)**	(15.78)
WCS (CAD$/bbl)	**92.97**	93.60	**80.42**	105.55
Rubellite average realized prices(1)				
Average realized oil price ($/bbl)	**88.85**	84.31	**75.47**	98.19

(1) Before risk management contracts; Supplementary financial measure. See "Non-GAAP and Other Financial Measures".

Rubellite's oil revenue for the three months ended September 30, 2023 increased by $12.1 million (89%) from the third quarter of 2022, attributable to the 79% increase in production. Compared to the third quarter of 2022, the WCS average price was relatively unchanged at $92.97/bbl (Q3 2022 - $93.60/bbl) as a result of lower WTI prices, partially offset by the narrowing of the WCS differential and an increase in the US$/CAD$ exchange rate. Rubellite's realized oil prices reflect a price offset for quality which averaged $4.12/bbl during the third quarter (Q3 2022 - $7.74/bbl).

Rubellite's oil revenue for the nine months ended September 30, 2023 increased by $21.6 million (54%) from the comparative period of 2022, attributable to the increase in production, partially offset by lower prices. During the first nine months of 2023, the WCS average price decrease was consistent with the decrease in WTI oil prices which averaged US$77.37/bbl (2022 – US$98.14/bbl) and the increase in the WCS differential to US$17.59/bbl (2022 - US$15.78/bbl), partially offset by an increase in the CAD$/US$ exchange rate to $1.35 (2022 - $1.28).

Risk Management Contracts

The Company's realized price deviates from benchmark prices due to the Company's risk management strategies. The Company uses "average realized oil prices after risk management contracts" which is not a standardized measure, and therefore may not be comparable with the calculation of similar measures by other entities. The measure is used by management to calculate the Company's net realized oil price, taking into account the monthly settlements of financial and physical crude oil forward sales, differentials and foreign exchange contracts. These contracts are put in place to protect Rubellite's cash flows from potential volatility and lock in economics on drilling programs.

The following table calculates the average realized oil prices after risk management contracts, which is not a standardized measure:

	Three months ended September 30,		Nine months ended September 30,	
($ thousands, except as noted)	**2023**	2022	**2023**	2022
Unrealized gain (loss) on risk management contracts	**(3,209)**	7,941	**(3,356)**	1,008
Realized loss on risk management contracts	**(1,944)**	(2,994)	**(1,018)**	(12,466)
Realized loss on risk management contracts *($/bbl)*	**(6.70)**	(18.49)	**(1.24)**	(30.48)
Average realized oil price after risk management contracts(1)	**82.15**	65.82	**74.23**	67.71

(1) Supplementary financial measure. See "Non-GAAP and Other Financial Measures".

The realized loss on risk management contracts totaled $1.9 million or $6.70/bbl for the third quarter of 2023, compared to a loss of $3.0 million or $18.49/bbl for the third quarter of 2022. For the nine month period ending September 30, 2023, the realized loss on risk management contracts totaled $1.0 million or $1.24/bbl (2022 - $12.5 million realized loss or $30.48/bbl). Hedging gains or losses are attributable to reference price fluctuations relative to pricing on commodity contracts driven by changes in WTI and WCS differential prices as well as fluctuations in foreign exchange rates and the percentage of production volumes hedged at any given time.

The unrealized loss on risk management contracts was $3.2 million for the third quarter of 2023 (Q3 2022 – $7.9 million unrealized gain) and the unrealized loss on risk management contracts was $3.4 million for the nine months ended September 30, 2023 (2022 - $1.0 million unrealized gain). Unrealized gains and losses represent the change in mark-to-market value of risk management contracts as forward commodity prices and foreign exchange rates change. Unrealized gains and losses on risk management contracts are excluded from the Company's calculation of cash flow from operating activities as non-cash items. Risk management contract gains and losses vary depending on the nature and extent of the risk management contracts in place, which in turn, vary with the Company's assessment of commodity price risk, committed capital spending and other factors.

Royalties

	Three months ended September 30,		Nine months ended September 30,	
($ thousands, except as noted)	**2023**	2022	**2023**	2022
Oil royalties – Crown	**1,355**	472	**3,073**	1,965
Oil royalties – freehold	**1,034**	911	**2,575**	2,358
Total royalties	**2,389**	1,383	**5,648**	4,323
$/boe	**8.23**	8.54	**6.90**	10.57
Royalties as a percentage of revenue(1)				
Crown *(% of oil revenue)*(1)	**5.3**	3.5	**5.0**	4.9
Freehold and overriding *(% of oil revenue)*(1)	**4.0**	6.7	**4.2**	5.9
Total *(% of oil revenue)*(1)	**9.3**	10.1	**9.2**	10.8

(1) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures".

Total royalties for the third quarter of 2023 were $2.4 million, a 73% increase from the third quarter of 2022 (Q3 2022 - $1.4 million) on higher production. On a per boe basis, royalties decreased in the third quarter to $8.23/boe (Q3 2022 - $8.54/boe) due to production declines and the decrease in the relative split of production on lands with higher overriding royalties. Royalties as a percentage of revenue for the third quarter were 9.3%, a decrease from 10.1% in the third quarter of 2022.

For the nine months ended September 30, 2023, royalties were $5.6 million (2022 – $4.3 million), $1.3 million or 31% higher than the prior year as a result of increased production, partially offset by lower prices. On a per boe basis, royalties were down 35% to $6.90/boe (2022 – $10.57/boe) as prices decreased. Royalties as a percentage of revenue for 2023 were 9.2%, a decrease from 10.8% in the comparative period of 2022.

Rubellite's royalties consist of Crown royalties payable to the Alberta provincial government and other freehold and gross overriding ("GORR") royalties. The mix between Crown and freehold production as a percentage of total production can change the composition of royalties from one period to the next. Under the Alberta Modernized Royalty Framework ("MRF"), the Company paid a Crown royalty of between 5% and 20% on wells where mineral rights are leased from the Crown with the remainder of royalties attributable to the composition of freehold and GORR royalties some of which are price sensitive. Some of the Company's other freehold and GORR royalties are price sensitive and may not be paid if prices are below the minimum price levels referenced in the agreements.

Production and operating expenses

	Three months ended September 30,		Nine months ended September 30,	
($ thousands, except as noted)	**2023**	2022	**2023**	2022
Production and operating expenses	**1,670**	716	**5,180**	3,173
$/boe	**5.76**	4.42	**6.33**	7.76

Total production and operating expenses for the three and nine months ended September 30, 2023 increased to $1.7 million and $5.2 million from $0.7 million and $3.2 million in the comparative periods of 2022 as a result of higher costs being applied to higher production volumes. Higher costs were attributable to incremental carbon taxes for 2023 of $0.4 million or $0.51/boe and overall cost inflation.

On a per boe basis, costs increased by 30% to $5.76/boe in the third quarter of 2023 (Q3 2022 - $4.42/boe) due to incremental carbon taxes and overall cost inflation. For the nine months ended September 30, 2023, production and operating costs on per boe basis decreased by 18% to $6.33/boe (2022 - $7.76/boe). Despite an increase in overall costs, as more wells have come on production the fixed component of production and operating expenses are spread across higher sales volumes.

Transportation costs

($ thousands, except as noted)	Three months ended September 30, **2023**	2022	Nine months ended September 30, **2023**	2022
Transportation costs	**2,284**	1,207	**6,457**	2,758
$/boe	**7.87**	7.45	**7.89**	6.74

Transportation costs include clean oil trucking costs. Costs for the three and nine months ended September 30, 2023 increased to $2.3 million and $6.5 million from $1.2 million and $2.8 million in the comparative periods of 2022 as a result of higher costs being applied to higher volumes.

On a per boe basis, transportation costs of $7.87/boe were 6% higher than the third quarter of 2022 (Q3 2022 - $7.45/boe) and 17% higher for the nine months ended September 30, 2023 (2022 - $6.74/boe). The increases were the result of increased sales volumes at Figure Lake which incurs higher trucking costs based on location and distance as well as cost inflation, increased trucking rates, fuel prices and fuel surcharges.

Operating netbacks

The following table highlights Rubellite's operating netbacks for the three and nine months ended September 30, 2023 and 2022**:**

($/boe) ($ thousands)	Three months ended September 30, **2023**		2022		Nine months ended September 30, **2023**		2022	
Sales production *(bbl/d)*		**3,154**		1,760		**2,997**		1,498
Oil revenue	**88.85**	**25,777**	84.31	13,654	**75.47**	**61,744**	98.19	40,162
Royalties	**(8.23)**	**(2,389)**	(8.54)	(1,383)	**(6.90)**	**(5,648)**	(10.57)	(4,323)
Production and operating expenses	**(5.76)**	**(1,670)**	(4.42)	(716)	**(6.33)**	**(5,180)**	(7.76)	(3,173)
Transportation costs	**(7.87)**	**(2,284)**	(7.45)	(1,207)	**(7.89)**	**(6,457)**	(6.74)	(2,758)
Operating netback[1]	**66.99**	**19,434**	63.90	10,348	**54.35**	**44,459**	73.12	29,908
Realized loss on risk management contracts	**(6.70)**	**(1,944)**	(18.49)	(2,994)	**(1.24)**	**(1,018)**	(30.48)	(12,466)
Total operating netback, after risk management contracts[1]	**60.29**	**17,490**	45.41	7,354	**53.11**	**43,441**	42.64	17,442

(1) Non-GAAP measure. See "Non-GAAP and Other Financial Measures".

Rubellite's operating netback in the third quarter of 2023 increased to $19.4 million, or $66.99/boe (Q3 2022 - $10.3 million or $63.90/boe) as a result of increased revenue on higher sales volumes, partially offset by higher costs. On a per boe basis the increase was driven by higher realized prices despite lower benchmark pricing as a result of a lower heavy oil wellhead differential. After the realized loss on risk management contracts of $1.9 million, or $6.70/boe (Q3 2022 – loss of $3.0 million or $18.49/boe), operating netbacks after risk management contracts were $17.5 million or $60.29/boe (Q3 2022 – $7.4 million or $45.41/boe). As a result of a lower realized loss in the third quarter of 2023, realized operating netbacks after risk management contracts were 33% higher than the third quarter of 2022.

Rubellite's operating netback for the nine months ended September 30, 2023 increased to $44.5 million from $29.9 million in the comparative period of 2022 attributable to increased revenue on higher sales volumes, partially offset by higher costs. On a per boe basis the decrease was driven primarily by lower prices as higher transportation, partially offset by lower royalties and production and operating expenses. After the realized loss on risk management contracts of $1.0 million or $1.24/boe (2022 – loss of $12.5 million or $30.48/boe), operating netbacks after risk management contracts were $43.4 million or $53.11/boe (2022 – $17.4 million or $42.64/boe) for the nine month period. As a result of a lower realized loss in 2023, realized operating netbacks on a unit-of-production basis after risk management contracts were 25% higher than the comparative nine month period of 2022.

General and administrative ("G&A") expenses

($ thousands, except as noted)	Three months ended September 30, **2023**	2022	Nine months ended September 30, **2023**	2022
G&A expenses – excluding MSA costs	**705**	333	**2,454**	1,082
G&A expenses – MSA costs	**929**	575	**2,541**	1,298
Total G&A expenses	**1,634**	908	**4,995**	2,380
$/boe	**5.63**	5.61	**6.11**	5.82

Rubellite has a Management and Operating Services Agreement ("MSA") in place with Perpetual Energy Inc. ("Perpetual") whereby Rubellite makes payments for certain technical and administrative services provided to Rubellite on a relative production split cost sharing basis. For the three and nine months ended September 30, 2023, the costs billed under the MSA to Rubellite were $0.9 million and $2.5 million (2022 - $0.6 million and $1.3 million, respectively). MSA costs in 2023 increased as a result of higher shared G&A costs and Rubellite's increased production.

G&A expenses, excluding MSA costs, for the three and nine months ended September 30, 2023 increased to $0.7 million and $2.5 million from $0.3 million and $1.1 million in the comparative periods of 2023. G&A expenses, excluding MSA costs, consist primarily of legal fees, computer software licenses, audit fees and tax related consulting fees which have increased with Rubellite's growth.

For three and nine months ended September 30, 2023, G&A costs on a per boe basis increased to $5.63/boe and $6.11/boe due to higher MSA and G&A costs, partially offset by higher production.

Depletion

(*$ thousands, except as noted*)	Three months ended September 30, **2023**	2022	Nine months ended September 30, **2023**	2022
Depletion	**6,948**	3,443	**19,290**	8,855
$/boe	**23.95**	21.26	**23.58**	21.65

The Company calculates depletion using the net book value of the asset, future development costs associated with proved and probable reserves, salvage values on associated production equipment, as well as proved plus probable reserves. As at September 30, 2023, depletion was calculated on a $162.0 million depletable balance (December 31, 2022 – $140.3 million), $85.9 million in future development costs (December 31, 2022 – $105.6 million) and excluded an estimated $1.0 million of salvage value (December 31, 2022 – $0.8 million).

Depletion expense for the third quarter of 2023 was $6.9 million or $23.95/boe (Q3 2022 – $3.4 million or $21.26/boe). For the nine month period ended September 30, 2023 depletion expense was $19.3 million or $23.58/boe (2022 - $8.9 million or $21.65/boe). The increase is driven by higher production volumes and an increase in the depletable base driven by capital spending. Depletion will fluctuate from one period to the next depending on the amount of capital spent, the amount of reserves added and volumes produced.

Impairment

There were no indicators of impairment for the Company's cash-generating unit ("CGU") as at September 30, 2023; therefore, an impairment test was not performed.

E&E assets are tested for impairment when internal or external indicators of impairment exist as well as upon reclassification to oil and natural gas interests in PP&E. At September 30, 2023, the Company conducted an assessment of indicators of impairment for the Company's E&E assets. In performing the assessment, management determined there were no indicators of impairment.

During 2023 the Company transferred $8.0 million of E&E to PP&E and performed the required impairment test to estimate the recoverable amount of the CGU. It was determined that the recoverable amount of the CGU exceeded its carrying value, resulting in no impairment.

During 2022 the Company transferred $7.9 million of E&E to PP&E and performed the required impairment test to estimate the recoverable amount of the CGU. It was determined that the recoverable amount of the CGU exceeded its carrying value, resulting in no impairment.

Finance expense

(*$ thousands*)	Three months ended September 30, **2023**	2022	Nine months ended September 30, **2023**	2022
Cash finance expense (income)				
Interest on revolving bank debt	**292**	(28)	**1,092**	129
Total cash finance expense (income)	**292**	(28)	**1,092**	129
Non-cash finance expense				
Accretion on decommissioning obligations	**32**	21	**92**	43
Total non-cash finance expense	**32**	21	**92**	43
Finance expense (income)	**324**	(7)	**1,184**	172

Total cash finance expense for the three and nine months ended September 30, 2023 increased to $0.3 million and $1.1 million from a nominal amount and $0.1 million in the comparative periods of 2022 as a result of increased interest rates being applied to higher outstanding bank debt.

Non-cash finance expense represents accretion on decommissioning obligations.

Deferred Income Taxes

	Three months ended September 30, **2023**	2022	Nine months ended September 30, **2023**	2022
Income (loss) before income tax	**$ 4,591**	$ 10,426	**$ 5,755**	$ 5,880
Combined federal and provincial tax rate	**23%**	23%	**23%**	23%
Computed income tax expense (recovery)	**1,056**	2,398	**1,324**	1,352
Increase (decrease) in income taxes resulting from:				
Non-deductible expenses	**179**	117	**448**	258
Flow-through shares - tax pools renounced	**1,829**	—	**2,835**	—
Other	**(786)**	8	**(680)**	(78)
Change in unrecognized deferred tax assets	**(1,629)**	(2,523)	**(7,210)**	(1,532)
Deferred tax expense (recovery)	**649**	—	**(3,283)**	—

The provision for income taxes for the three months ended September 30, 2023 was an expense of $0.6 million (Q3 2022 - nil) and for the nine months ended September 30, 2023 was a recovery of $3.3 million (2022 - nil). The change over the comparative period of 2022 was as a result of the renouncing of tax pools related to the flow-through share offering that was completed in 2023, partially offset by the change in unrecognized deferred tax assets.

LIQUIDITY, CAPITALIZATION AND FINANCIAL RESOURCES

Rubellite's strategy targets the maintenance of a strong capital base to retain investor, creditor and market confidence to support the execution of its business plans. The Company manages its capital structure and adjusts its capital spending in light of changes in economic conditions, available liquidity, and the risk characteristics of its underlying heavy oil assets. The Company considers its capital structure to include share capital, revolving bank debt, and adjusted working capital. To manage its capital structure and available liquidity, the Company may from time to time issue equity or debt securities, sell assets, and adjust its capital spending to manage current and projected debt levels. The Company will continue to regularly assess changes to its capital structure, with considerations for both short-term liquidity and long-term financial sustainability.

Capital Management

(*$ thousands, except as noted*)	**September 30, 2023**	December 31, 2022
Revolving bank debt	**9,450**	12,000
Adjusted working capital deficit(1)	**7,005**	16,228
Net debt(1)	**16,455**	28,228
Shares outstanding at end of period (*thousands*)	**62,413**	54,826
Market price at end of period (*$/share*)	**2.34**	1.85
Market value of shares(1)	**146,046**	101,428
Enterprise value(1)	**162,501**	129,656
Net debt as a percentage of enterprise value(1)	**10%**	22%
Trailing twelve-months adjusted funds flow(1)	**45,379**	23,036
Net debt to adjusted funds flow ratio(1)	**0.4**	1.2

(1) Non-GAAP financial measure and ratio. See "Non-GAAP and Other Financial Measures".

At September 30, 2023, Rubellite had net debt of $16.5 million, a 42% decrease from $28.2 million at December 31, 2022. Net debt decreased as a result of the $19.6 million flow-through equity financing that closed on March 28, 2023 and adjusted funds flow of $37.2 million, offset by capital expenditures of $42.4 million in 2023 spent to drill 19 (18.5 net) wells and exploratory land and seismic purchases of $2.8 million.

Rubellite had available liquidity at September 30, 2023 of $30.6 million, comprised of the $40.0 million Credit Facility Borrowing Limit, less borrowings of $9.5 million.

Revolving bank debt

As at September 30, 2023, the Company's first lien Credit Facility had a Borrowing Limit of $40.0 million (December 31, 2022 - $40.0 million) with an initial term to May 31, 2024. The initial term may be extended for a further twelve months to May 31, 2025 subject to lender approval. If not extended by May 31, 2024, all outstanding advances would be repayable on May 31, 2025. The next semi-annual borrowing base redetermination was scheduled on or before November 30, 2023.

Subsequent to September 30, 2023 and concurrent with the closing of the Acquisition on November 8, 2023, the Company's credit facility increased to $60.0 million. The Credit Facility will reduce by $5 million at the end of each quarter during 2024, starting on March 31, 2024, to $40 million at December 31, 2024. The initial term will remain the same at May 31, 2024, which may be extended a further twelve months to May 31, 2025, subject to lender approval. The next semi-annual borrowing base redetermination is scheduled on, or before, May 31, 2024.

As at September 30, 2023, $9.5 million (December 31, 2022 - $12.0 million) was drawn against the Credit Facility. Borrowings under the Credit Facility bear interest at its lenders' prime rate or Bankers Acceptance rates, plus applicable margins and standby fees. The applicable Banker's Acceptance margins range between 3.0% and 5.5%. The effective interest rate on the Credit Facility at September 30, 2023 was 8.2% per annum. For the three and nine month periods ended September 30, 2023, if interest rates changed by 1% with all other variables held constant, the impact on annual cash finance expense and net income and comprehensive income would be $0.1 million.

The Credit Facility is secured by general first lien security agreements covering all present and future property of the Company.

At September 30, 2023, the Credit Facility was not subject to any financial covenants and the Company was in compliance with all customary non-financial covenants.

Equity

At September 30, 2023, there were 62.4 million common shares and 4.0 million Share Purchase Warrants outstanding. The Share Purchase Warrants have an exercise price of $3.00 per share and expire on October 5, 2026.

On March 28, 2023, the Company issued 7.0 million flow-through shares at $2.85 per share, through a private placement for net proceeds of $19.6 million. The gross proceeds of the offering will be used to incur eligible qualified expenditures which the Company is committed to spend and renounce on, or before, December 31, 2023.

On March 30, 2022, Rubellite completed an equity financing, raising gross proceeds of $38.7 million through the issuance of approximately 10.9 million shares priced at $3.55 per share.

The following table summarizes information about options and performance awards and restricted awards outstanding as the date of this MD&A:

(thousands)	**November 9, 2023**
Restricted share units	546
Share options	2,732
Performance share units	464
Total	**3,742**

Commodity price risk management

As at November 9, 2023, the Company had entered into the following commodity risk management contracts:

Commodity	Volumes Sold (bbl/d)	Term	Reference/Index	Contract Traded Bought/Sold	Average Price ($/bbl)
Crude Oil	1,500 bbl/d	Oct 2023 - Dec 2023	WTI (USD$/bbl)	Swap - sold	$76.83
Crude Oil	200 bbl/d	Jan 2024 - Dec 2024	WTI (USD$/bbl)	Swap - sold	$78.75
Crude Oil	100 bbl/d	Oct 2023 - Dec 2023	WTI (CAD$/bbl)	Swap - sold	$101.50
Crude Oil	1,200 bbl/d	Jan 2024 - Dec 2024	WTI (CAD$/bbl)	Swap - sold	$104.30
Crude Oil	300 bbl/d	Jan 2025 - Dec 2025	WTI (CAD$/bbl)	Swap - sold	$101.05
Crude Oil	300 bbl/d	Oct 2023 - Oct 2023	WCS (CAD$/bbl)	Swap - sold	$93.00
Crude Oil	100 bbl/d	Jan 2024 - Dec 2024	WCS (CAD$/bbl)	Swap - sold	$87.15
Crude Oil	1,100 bbl/d	Oct 2023 - Nov 2023	WCS - WTI Differential (USD$/bbl)	Swap - sold	($17.31)
Crude Oil	500 bbl/d	Oct 2023 - Dec 2023	WCS - WTI Differential (CAD$/bbl)	Swap - sold	($19.49)
Crude Oil	1,200 bbl/d	Jan 2024 - Dec 2024	WCS - WTI Differential (CAD$/bbl)	Swap - sold	($21.13)

Foreign exchange risk management

As at November 9, 2023, the Company entered into the following foreign exchange risk management contracts:

Contract	Notional amount	Term	Price (CAD$/US$)
Average rate forward (CAD$/US$)	$2,000,000 US$/month	Oct 1 - Dec 31, 2023	1.3527
Average rate forward (CAD$/US$)	$1,775,000 US$/month	Jan 1 - Dec 31, 2024	1.3659
Average rate forward (CAD$/US$)	$1,000,000 US$/month	Jan 1 - Dec 31, 2025	1.3660

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Rubellite is committed to spend $20.0 million in eligible capital expenditures on or before December 31, 2023 related to the flow-through share offering that closed on March 28, 2023. As at September 30, 2023 Rubellite has spent $18.5 million of eligible capital expenditures, leaving a remaining commitment of $1.5 million to be spent on or before December 31, 2023.

OFF BALANCE SHEET ARRANGEMENTS

Rubellite has no off balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Rubellite and Perpetual are considered related parties due to the existence of the management and operating services agreement ("MSA"). Further, certain officers and directors are key management of and have significant influence over Rubellite while also being key management of and having deemed control over Perpetual. During the three and nine months ended September 30, 2023, Rubellite was billed by Perpetual for net transactions, which are considered to be normal course of oil and gas operations, totaling $1.6 million and $4.7 million, respectively (three and nine months ended September 30, 2022 - $1.6 million and $3.5 million, respectively). Included within this amount are $0.9 million and $2.5 million (three and nine months ended September 30, 2022 - $0.6 million and $1.3 million, respectively) of costs charged to Rubellite through the MSA. The Company recorded accounts payable of $0.6 million owing to Perpetual as at September 30, 2023 (December 31, 2022 - accounts payable of $0.6 million).

NON-GAAP AND OTHER FINANCIAL MEASURES

Throughout this MD&A and in other materials disclosed by the Company, Rubellite employs certain measures to analyze financial performance, financial position and cash flow. These non-GAAP and other financial measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other entities. The non-GAAP and other financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as net income (loss), cash flow from (used in) operating activities, and cash flow from (used in) investing activities, as indicators of Rubellite's performance.

Non-GAAP Financial Measures

Capital Expenditures: Rubellite uses capital expenditures related to exploration and development to measure its capital investments compared to the Company's annual capital budgeted expenditures. Rubellite's capital budget excludes acquisition and disposition activities.

The most directly comparable GAAP measure for capital expenditures is cash flow from (used in) investing activities. A summary of the reconciliation of cash flow from (used in) investing activities to capital expenditures, is set forth below:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	**2023**	2022
Net cash flows used in investing activities	**(12,129)**	(9,064)	**(55,541)**	(55,044)
Change in non-cash working capital	**(799)**	13,412	**(10,330)**	15,648
Capital expenditures	**(11,330)**	(22,476)	**(45,211)**	(70,692)
Property, plant and equipment additions	**(11,177)**	(17,902)	**(30,429)**	(48,188)
Exploration and evaluation additions	**(153)**	(4,574)	**(14,782)**	(22,504)
Capital expenditures	**(11,330)**	(22,476)	**(45,211)**	(70,692)

Cash costs: Cash costs are comprised of production and operating, transportation, general and administrative, and cash finance expense as detailed below. Cash costs per boe is calculated by dividing cash costs by total production sold in the period. Management believes that cash costs assist management and investors in assessing Rubellite's efficiency and overall cost structure.

	Three months ended September 30,		Nine months ended September 30,	
(*$ thousands, except per boe amounts*)	**2023**	2022	**2023**	2022
Production and operating	**1,670**	716	**5,180**	3,173
Transportation	**2,284**	1,207	**6,457**	2,758
General and administrative	**1,634**	908	**4,995**	2,380
Cash finance expense (income)	**292**	(28)	**1,092**	129
Cash costs	**5,880**	2,803	**17,724**	8,440
Cash costs per boe	**20.27**	17.30	**21.67**	20.63

Operating netbacks and total operating netbacks, after risk management contracts: Operating netback is calculated by deducting royalties, production and operating expenses, and transportation costs from oil revenue. Operating netback is also calculated on a per boe basis using total production sold in the period. Total operating netbacks, after risk management contracts, is presented after adjusting for realized gains or losses from risk management contracts. Rubellite considers operating netback and operating netback after risk management contracts to be key industry performance indicators that provides investors with information that is also commonly presented by other crude oil and natural gas producers. Operating netback and operating netback, after risk management contracts, evaluate operational performance as it demonstrates its profitability relative to realized and current commodity prices.

Refer to reconciliations in the MD&A under the "Operating Netbacks" section for current period and 2022 comparative information.

Net Debt: Rubellite uses net debt as an alternative measure of outstanding debt. Management considers net debt as an important measure in assessing the liquidity of the Company. Net debt is used by management to assess the Company's overall debt position and borrowing capacity. Net debt or asset is not a standardized measure and therefore may not be comparable to similar measures presented by other entities.

The following table reconciles working capital and net debt as reported in the Company's statements of financial position:

	As of September 30, 2023	As of December 31, 2022
Current assets	**11,674**	13,262
Current liabilities	**(21,002)**	(28,802)
Working capital deficit	**9,328**	15,540
Risk management contracts – current asset	**147**	1,437
Risk management contracts – current liability	**(2,470)**	(749)
Adjusted working capital deficit	**7,005**	16,228
Bank indebtedness	**9,450**	12,000
Net debt	**16,455**	28,228

Adjusted funds flow: Adjusted funds flow is calculated based on net cash flows from operating activities, excluding changes in non-cash working capital and expenditures on decommissioning obligations since the Company believes the timing of collection, payment or incurrence of these items is variable. Expenditures on decommissioning obligations may vary from period to period depending on capital programs and the maturity of Rubellite's operating areas. Expenditures on decommissioning obligations are managed through the capital budgeting process which considers available adjusted funds flow. Management uses adjusted funds flow and adjusted funds flow per boe as key measures to assess the ability of the Company to generate the funds necessary to finance capital expenditures, expenditures on decommissioning obligations and meet its financial obligations.

Adjusted funds flow is not intended to represent net cash flows from operating activities calculated in accordance with IFRS.

The following table reconciles net cash flows from operating activities, as reported in the Company's statements of cash flows, to adjusted funds flow:

	Three months ended September 30,		Nine months ended September 30,	
(*$ thousands, except as noted*)	**2023**	2022	**2023**	2022
Net cash flows from operating activities	**14,957**	(745)	**36,428**	8,920
Change in non-cash working capital	**594**	7,204	**803**	5,971
Decommissioning obligations settled	**3**	—	**3**	—
Adjusted funds flow	**15,554**	6,459	**37,234**	14,891
Adjusted funds flow per share - basic	**0.25**	0.12	**0.60**	0.27
Adjusted funds flow per share – diluted	**0.25**	0.12	**0.62**	0.29
Adjusted funds flow per boe	**53.61**	39.89	**45.51**	36.41

Available Liquidity: Available liquidity is defined as the borrowing limit under the Company's credit facility, plus any cash and cash equivalents, less any borrowings and letters of credit issued under the credit facility. Management uses available liquidity to assess the ability of the Company to finance capital expenditures and expenditures on decommissioning obligations, and to meet its financial obligations.

Enterprise value: Enterprise value is equal to net debt plus the market value of issued equity, and is used by management to analyze leverage. Enterprise value is calculated by multiplying the current shares outstanding by the market price at the end of the period and then adjusting it by the net debt. The Company considers enterprise value as an important measure as it normalizes the market value of the Company's shares for its capital structure.

Non-GAAP Financial Ratios

Rubellite calculates certain non-GAAP measures per boe as the measure divided by weighted average daily production. Management believes that per boe ratios are a key industry performance measure of operational efficiency and one that provides investors with information that is also commonly presented by other crude oil and natural gas producers. Rubellite also calculates certain non-GAAP measures per share as the measure divided by outstanding common shares, weighted average common shares or diluted weighted average common shares.

Average realized oil price after risk management contracts: are calculated as the average realized price less the realized gain or loss on risk management contracts.

Net debt to adjusted funds flow ratio: Net debt to adjusted funds flow ratios are calculated on a trailing twelve-month basis.

Net debt as a percentage of enterprise value: Net debt as a percentage of enterprise value is calculated by dividing net debt by enterprise value.

Adjusted funds flow per share: Adjusted funds flow ratios are calculated on a per share as the measure divided by basic shares outstanding.

Adjusted funds flow per boe: Adjusted funds flow per boe is calculated as adjusted funds flow divided by total production sold in the period.

Supplementary Financial Measures

"Average realized oil price" is comprised of total oil revenue, as determined in accordance with IFRS, divided by the Company's total sales oil production on a per barrel basis.

"Average realized oil price after gain or loss on risk management" is comprised of realized gain on risk management contracts, as determined in accordance with IFRS, divided by the Company's total sales oil production.

"Realized gain (loss) on oil contracts per boe" is comprised of the realized gain or loss on oil contracts, as determined in accordance with IFRS, divided by the Company's total oil sales production.

"Royalties (percentage of oil revenue)" is comprised of royalties, as determined in accordance with IFRS, divided by oil revenue from sales oil production as determined in accordance with IFRS.

"Royalties ($/boe)" is comprised of royalties, as determined in accordance with IFRS, divided by the Company's total sales oil production.

"Production and operating costs ($/boe)" is comprised of operating expense, as determined in accordance with IFRS, divided by the Company's total sales oil production.

"Transportation cost ($/boe)" is comprised of transportation cost, as determined in accordance with IFRS, divided by the Company's total sales oil production.

"G&A cost ($/boe)" is comprised of G&A expense, as determined in accordance with IFRS, divided by the Company's total sales oil production.

"Depletion expense ($/boe)" is comprised of depletion expense, as determined in accordance with IFRS, divided by the Company's total sales oil production.

"Market value of shares" is comprised of common shares outstanding multiplied by the market price of shares.

"Heavy oil wellhead differential ($/bbl)" represents the differential the Company receives for selling its heavy crude oil production relative to the Western Canadian Select reference price (CAD$/bbl) prior to any price or risk management activities.

FUTURE ACCOUNTING PRONOUNCEMENTS

The International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee regularly issue new and revised accounting pronouncements which have future effective dates and therefore are not reflected in Rubellite's financial statements. Once adopted, these new and amended pronouncements may have an impact on Rubellite's condensed interim consolidated financial statements.

On June 26, 2023, the International Sustainability Standards Board ("ISSB") issued IFRS S1 "General Requirements for Disclosure of Sustainability-related Financial Information" and IFRS S2 "Climate-related Disclosures". IFRS S1 and IFRS S2 are effective for annual reporting periods beginning on or after January 1, 2024. The sustainability standards as issued by the ISSB provide for transition relief in IFRS S1 that allow a reporting entity to report only on climate-related risks and opportunities, as set out in IFRS S2, in the first year of reporting under the sustainability standards.

The Canadian Securities Administrators ("CSA") are responsible for determining the reporting requirements for public companies in Canada and are responsible for decisions related to the adoption of the sustainability disclosure standards, including the effective annual reporting dates. The CSA issued proposed National Instrument ("NI 51-107 – Disclosure of Climate-related Matters") in October 2021. The CSA has indicated it will consider the ISSB sustainability standards and developments in the United States in its decisions related to developing climate-related disclosure requirements for reporting issuers in Canada. The CSA will involve the Canadian Sustainability Standards Board ("CSSB") for their combined review of the ISSB issued sustainability standards for their suitability for adoption in Canada. Until such time as the CSA and CSSB make decisions on sustainability standard adoption here in Canada, there is no requirement for public companies in Canada to adopt the sustainability standards. The Company is actively evaluating the potential effects of the ISSB issued sustainability standards; however, at this time, the Company is not able to determine the impact on future financial statements, nor the potential costs to comply with these sustainability standards.

CHANGE IN ACCOUNTING POLICY

Consolidation

The consolidated financial statements include the accounts of: Rubellite Energy Inc., Ukalta LP Inc., Ukalta GP Inc., and Ukalta Limited Partnership.

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are considered. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases

(ii) Jointly owned assets

Many of the Company's oil and gas activities involve jointly owned assets which are not conducted through a separate entity. The consolidated financial statements include the Company's proportionate share of these jointly owned assets, liabilities, revenues and expenses.

(iii) Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

Flow-through shares

Flow-through shares permit an investor to claim deductions for tax purposes related to qualifying expenditures incurred by the issuer. The issuer renounces the right to claim the income tax deductions in favor of the investor. Proceeds from the issuance are presented net of directly attributable share issuance costs.

Proceeds from the issuance of flow-through shares are allocated between the offering of shares and the sale of tax benefits when the shares are offered. The allocation is made based on the difference between the quoted price of the existing shares and the amount the investor pays to acquire the flow-through shares, with a deferred liability being recognized for the difference. The liability is drawn down as the qualifying expenditures are incurred with a deferred tax liability recognized equal to the deferred tax payable. Any difference between the draw down of the deferred liability set up for the premium on the flow-through shares and the deferred tax effect on the expenditures is recognized in the statement of income (loss) and comprehensive income (loss).

INTERNAL CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

There were no changes in the Corporation's internal control over financial reporting during the period beginning on July 1, 2023 and ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

FORWARD-LOOKING INFORMATION

Certain information in this MD&A including management's assessment of future plans and operations, and including the information contained under the headings "Operations Update" and "Outlook and Guidance" may constitute forward-looking information or statements (together "forward-looking information") under applicable securities laws. The forward-looking information includes, without limitation, statements with respect to: future capital expenditures, production and various cost forecasts; the anticipated sources of funds to be used for capital spending; expectations as to drilling activity and the benefits to be derived from such drilling including production growth; expectations respecting Rubellite's future exploration, development and drilling activities and Rubellite's business plan; and including the information and statements contained under the heading "Outlook and Guidance" and "About Rubellite".

Forward-looking information is based on current expectations, estimates and projections that involve a number of known and unknown risks, which could cause actual results to vary and in some instances to differ materially from those anticipated by Rubellite and described in the forward-looking information contained in this MD&A. In particular and without limitation of the foregoing, material factors or assumptions on which the forward-looking information in this MD&A is based include: the successful operation of the Clearwater assets; forecast commodity prices and other pricing assumptions; forecast production volumes based on business and market conditions; foreign exchange and interest rates; near-term pricing and continued volatility of the market; accounting estimates and judgments; future use and development of technology and associated expected future results; the ability to obtain regulatory approvals; the successful and timely implementation of capital projects; ability to generate sufficient cash flow to meet current and future obligations and future capital funding requirements (equity or debt); Rubellite's ability to operate under the management of Perpetual pursuant to the MSA; the ability of Rubellite to obtain and retain qualified staff and equipment in a timely and cost-efficient manner, as applicable; the retention of key properties; forecast inflation, supply chain access and other assumptions inherent in Rubellite's current guidance and estimates; climate change; severe weather events (including wildfires); the continuance of existing tax, royalty, and regulatory regimes; the accuracy of the estimates of reserves volumes; ability to access and implement technology necessary to efficiently and effectively operate assets; cybersecurity breaches; the ongoing and future impact of pandemics (including COVID-19); and the war in Ukraine and related sanctions on commodity prices and the global economy, and the Hamas war, among others.

Undue reliance should not be placed on forward-looking information, which is not a guarantee of performance and is subject to a number of risks or uncertainties, including without limitation those described herein and under "Risk Factors" in Rubellite's Annual Information Form and MD&A for the year ended December 31, 2022 and in other reports on file with Canadian securities regulatory authorities which may be accessed through the SEDAR+ website www.sedarplus.ca and at Rubellite's website www.rubelliteenergy.com. Readers are cautioned that the foregoing list of risk factors is not exhaustive. Forward-looking information is based on the estimates and opinions of Rubellite's management at the time the information is released, and Rubellite disclaims any intent or obligation to update publicly any such forward-looking information, whether as a result of new information, future events or otherwise, other than as expressly required by applicable securities law.

ABBREVIATIONS AND CONVENTIONS

The following is a list of abbreviations that may be used in this MD&A:

Measurement:

bbl	barrel
bbl/d	barrels per day
Mbbl	thousand barrels
MMbbl	million barrels
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day

Industry Metrics:

This MD&A contains certain industry metrics which do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included in this document to provide readers with additional measures to evaluate Rubellite's performance; however, such measures are not reliable indicators of Rubellite's future performance and future performance may not compare to Rubellite's performance in previous periods and therefore such metrics should not be unduly relied upon.

Volume Conversions:

Barrel of oil equivalent ("boe") may be misleading, particularly if used in isolation. In accordance with National Instrument 51-101 ("NI 51-101"), a conversion ratio for conventional natural gas of 6 Mcf:1 bbl has been used, which is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, utilizing a conversion on a 6 Mcf:1 bbl basis may be misleading as an indicator of value as the value ratio between conventional natural gas and heavy crude oil, based on the current prices of natural gas and crude oil, differ significantly from the energy equivalency of 6 Mcf:1 bbl. A conversion ratio of 1 bbl of heavy crude oil to 1 bbl of NGL has also been used throughout this MD&A.

Initial Production Rates:

Any references in this MD&A to initial production rates are useful in confirming the presence of hydrocarbons; however, such rates are not determinative of the rates at which such wells will continue production and decline thereafter and are not necessarily indicative of long-term performance or ultimate recovery. Readers are cautioned not to place reliance on such rates in calculating the aggregate production for the Company. Such rates are based on field estimates and may be based on limited data available at this time.

Financial and Business Environment:

E&E	Exploration and evaluation
ESG	Environmental, social and governance
GAAP	Generally accepted accounting principles
G&A	General and administrative
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
PP&E	Property, plant and equipment
WTI	West Texas Intermediate
WCS	Western Canadian Select

SUMMARY OF QUARTERLY RESULTS

($ thousands, except as noted)	**Q3 2023**	**Q2 2023**	**Q1 2023**	**Q4 2022**
Financial				
Oil revenue	**25,777**	18,863	17,104	14,329
Net income (loss) and comprehensive income (loss)	**3,942**	3,397	1,699	18,725
Per share – basic(3)	**0.06**	0.05	0.03	0.34
Per share – diluted(3)	**0.06**	0.05	0.03	0.34
Total assets	**223,353**	218,218	222,747	204,030
Cash flow from (used in) operating activities	**14,957**	12,186	9,285	14,950
Adjusted funds flow(1)	**15,554**	11,998	9,682	8,145
Per share – basic(2)(3)	**0.25**	0.19	0.18	0.15
Per share – diluted(2)(3)	**0.25**	0.19	0.17	0.15
Common shares (thousands)				
Weighted average – basic	**61,956**	61,830	55,060	54,824
Weighted average – diluted	**62,597**	62,432	55,550	55,202
Operating				
Daily average oil sales production (bbl/d)(4)	**3,154**	2,844	2,990	2,181
Rubellite average realized oil price(2)				
Average realized oil price ($/bbl)	**88.85**	72.88	63.56	71.42
Average realized oil price – after risk management contracts ($/bbl)	**82.15**	75.65	64.33	68.05

($ thousands, except as noted)	**Q3 2022**	**Q2 2022**	**Q1 2022**	**Q4 2021(5)**
Financial				
Oil revenue	13,654	15,632	10,876	3,931
Net income (loss) and comprehensive income (loss)	10,426	4,726	(9,272)	(1,265)
Per share – basic(3)	0.19	0.09	(0.21)	(0.03)
Per share – diluted(3)	0.19	0.08	(0.21)	(0.03)
Total assets	170,206	160,202	164,009	115,862
Cash flow from (used in) operating activities	(745)	6,473	3,192	1,115
Adjusted funds flow(1)	6,459	4,597	3,835	1,469
Per share – basic(2)(3)	0.12	0.09	0.09	0.03
Per share – diluted(2)(3)	0.12	0.09	0.09	0.03
Common shares (thousands)				
Weighted average – basic	54,748	54,725	43,930	41,834
Weighted average – diluted	55,265	55,797	43,930	41,834
Operating				
Daily average oil sales production (bbl/d)(4)	1,760	1,478	1,251	603
Rubellite average realized oil price(2)				
Average realized oil price ($/bbl)	84.31	116.21	96.61	70.94
Average realized oil price – after risk management contracts ($/bbl)	65.82	70.09	67.57	72.77

(1) Non-GAAP measure. See "Non-GAAP and Other Financial Measures".
(2) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures".
(3) Per share amounts are calculated using the weighted average number of basic or diluted common shares.
(4) Conventional heavy oil sales production excludes tank inventory volumes.
(5) Operating results for Q4 2021 reflect the period from September 3, 2021, the effective date of the completion of the Arrangement from September 3, 2021 to December 31, 2021.